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DAILY NEWS & ANALYSIS

Tax Cigarettes, bidis, Chewing Tobacco at 40%

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There is unison of opinion among all quarters on taxing tobacco at a high rate of forty percent under the Goods and Service Tax (GST). Prime Minister Narendra Modi has promised the roll out of GST starting April 1, 2017.

The GST council will meet in New Delhi from October 18 onwards to decide tax rates to be levied on goods and services. In this light, victims of tobacco use, doctors, public health activists and Members of Parliament (MPs) have appealed to the GST council to tax cigarettes, bidis and chewing tobacco at a rate of 40%.

Cigarettes cost between Rs 7 - 13. A pack of twenty that close to Rs 140 - Rs 260 depending on the brand and state's taxation structure. Currently, each state levies Value-Added Tax (VAT) on cigarettes which makes the prices variant across state. "While in Maharashtra the VAT on cigarettes is 25%, in Rajasthan, VAT is 65%. Naturally, cigarettes are more expensive in Rajasthan as of now," said Dr Pankaj Chaturvedi, oncosurgeon at Tata Memorial Hospital. "We did not want tobacco products to get included in GST, which is a common tax. We wanted states to levy higher taxes based on their consciousness. This has not happened. So we are pushing for higher GST now."

Activists feel higher prices will lead to people buying less cigarettes as that will pinch their pockets. World Health Organization's (WHO) recommends that an increase of tax by 10% can lead to a 5% reduction in consumption of tobacco.

"Government should make tobacco prohibitively expensive in GST era. There is no justification for giving any subsidy to a product that kills every second user prematurely", Dinesh Trivedi, MP, Trinamool Congress and Former Union Minister of State for Health and Family Welfare.

Higher taxes are particularly effective in reducing tobacco use among vulnerable populations, such as youth, pregnant women, low-income smokers and chewing tobacco users.

"Hospital and medicine-related expenses incurred for diseases caused by consuming tobacco account for 21% of the national health expenditure. However, Indian government and states gain just 17% of the total health cost in tobacco excise revenue," said Dr Pankaj Chaturvedi, oncosurgeon at Tata Memorial Hospital in Mumbai.

Another bone of contention is the age-old favourite Bidi. Bidi manufacturing has never attracted any tax. This is shocking to doctors considering the unorganized nature of the industry. A whopping 6.75 lakh Indians smoke Bidi.

Of the entire tobacco market, bidis command a market share of 48%, chewing tobacco comes a close second at 38 % and cigarettes are smoked in a niche market of 14% consumers. Bidis have been subjected to very low central and state taxes under the false pretext of protecting bidi rollers' livelihood. This is far from truth. "We strongly support the highest level of tax for bidis under GST and petition that some of these bids taxes are used to improve our wages/living conditions as well as provide alternative livelihoods" says Nazim Ansari, Secretary Abul Kalam Azad Jan Sewa Sansthan which represents around 6000 bidi workers in Uttar Pradesh.

According to World Health Organization (WHO) reports, India ranks 80th in the world as far as taxation on cigarettes go. Even Sri Lanka and Bangladesh rank better on the taxation front.

"Bidi industry owners make vulgar profits. They wield great political clout. They violate every law related to minimum wages, child labor, and healthy workplace. Excise and Tax violation remains rampant in this unorganized industry. It is shocking that there is no tax on Bidis in many states. All tobacco products should be taxed very high in GST era", Dr. Pankaj Chaturvedi, Oncologist, Tata Memorial Hospital, Mumbai.

Ashwini Kumar Chaube, Ex-Health Minister of Bihar and MP, Bharatiya Janta Party said, "As a Health Minister of Bihar I had banned gutka and raised taxes on tobacco products including bidi. I am sure GST council will put tobacco in highest tax category. It will save millions of lives."

AT A GLANCE

Tobacco-use imposes enormous health and economic burden on the country. Each year, almost ten lakh Indians die from tobacco-related diseases in India. The total direct and indirect cost of diseases attributable to tobacco use was a staggering Rs1.04 lakh crore ($17 billion) in 2011 or 1.16% of GDP, according to reports.

Current rates of Cigarettes -

Cigarettes cost between Rs 7 - 13. A pack of twenty that close to Rs 140 - Rs 260 or higher depending on the brand and state's taxation structure.

Market Share of tobacco and tobacco-related products

Bidis - 48%

Chewing Tobacco - 38%

Cigarettes - 14%